



SEMIANNUAL REPORT TO THE CONGRESS



OFFICE OF INSPECTOR GENERAL

U.S. GENERAL SERVICES ADMINISTRATION

October 1, 2018 – March 31, 2019

CONTENTS

1	OIG PROFILE
2	OIG Profile
4	OIG Organization Chart
5	GSA's Management Challenges
7	SIGNIFICANT AUDITS
8	Significant Audits
17	Summary of Contract Audit Reports
18	FAR Disclosure Program
19	Statistical Summary of OIG Audits
23	SIGNIFICANT INSPECTIONS
24	Significant Inspections
27	SIGNIFICANT INVESTIGATIONS
29	Significant Investigations
29	Criminal Investigations
34	Civil Settlements
34	Administrative Misconduct
35	Investigations of Senior Officials
36	Fleet Card Fraud
37	WPA Art Investigations
38	Other Significant Work
39	Statistical Summary of OIG Investigations
43	GOVERNMENT-WIDE POLICY ACTIVITIES
44	Government-wide Policy Activities
47	APPENDIXES
48	APPENDIX I Acronyms and Abbreviations
49	APPENDIX II Significant Recommendations From Prior Reports
51	APPENDIX III Audit and Inspection Report Register
53	APPENDIX IV OIG Reports over 12 Months Old, Final Agency Action Pending
56	APPENDIX V OIG Reports Without Management Decision
58	APPENDIX VI Management Decisions Revised or With Which the Inspector General is in Disagreement
60	APPENDIX VII Peer Review Results
61	APPENDIX VIII Government Contractor Significant Audit Findings
62	APPENDIX IX Unimplemented Recommendations
63	APPENDIX X Reporting Requirements

MESSAGE FROM THE IG



I am pleased to submit the Semiannual Report to Congress for the period of October 1, 2018 through March 31, 2019.

As this report reflects, our work continues to produce significant financial results for the General Services Administration (GSA) and taxpayers. During this 6-month period, our contract audits identified over \$134 million in potential cost savings and recoveries. In addition, our investigative and legal work yielded \$54 million in monetary recoveries, including the recovery of more than \$23 million stolen through unauthorized access to GSA's System for Award Management (SAM).

Highlights of our work during this reporting period include our evaluation of GSA's management and administration of the Old Post Office lease, which found that GSA lawyers improperly ignored the Emoluments Clauses of the U.S. Constitution in their analysis of the lease, thereby foreclosing early resolution of the issues. Our audit of the financial performance of the Public Buildings Service National Capital Region's lease portfolio found it lost over \$49 million in Fiscal Year 2016, primarily due to deficiencies in lease planning and administration that resulted in wasteful payments for vacant space. In addition, our investigations uncovered numerous fraud schemes, including sham claims of eligibility to obtain federal construction contracts set aside for service-disabled veteran-owned small businesses; the use of fraudulent entity registrations in SAM to obtain federal contracts and carry out product substitution scams; and multiple schemes to exploit GSA's federal surplus property donation program and auction system.

We also continued to focus resources on information technology (IT) transformation and security issues inside GSA. For example, our audit of the technical security controls for an important GSA information system identified security vulnerabilities and made corrective recommendations to the agency's Chief Information Officer. Another audit found that GSA did not effectively manage changes to the IT security requirements for some of its leasing support services contracts, resulting in a substantial period of increased risk to government data stored on contractor systems. Our audit of GSA's Federal Risk and Authorization Management Program (FedRAMP)—an important gateway meant to assist in the adoption of cloud computing services across the federal government—found that the program management office's stated mission, goals, and objectives are not sufficient to assess whether the program is effective. To better assist the agency in addressing IT issues, we remain committed to enhancing our IT audit and data analytics capabilities as budgetary resources allow.

I applaud this office's exemplary team of dedicated professionals for their work in providing independent and objective oversight of the GSA, and thank the Agency and Congress for their support of our mission.

A handwritten signature in black ink that reads "Carol F. Ochoa". The signature is fluid and cursive.

Carol F. Ochoa
Inspector General
March 31, 2019



Photo: The Internal Revenue Service Building, located in Washington, D.C.

OIG PROFILE

OIG PROFILE

ORGANIZATION

The General Services Administration (GSA) Office of Inspector General (OIG) was established on October 1, 1978, as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's five components work together to perform the mission mandated by Congress.

The OIG provides nationwide coverage of GSA programs and activities. Our components include:

- **THE OFFICE OF AUDITS**, an evaluative organization staffed with auditors and analysts that provides comprehensive coverage of GSA operations through program, financial, regulatory, and system audits and assessments of internal controls. The office conducts attestation engagements to assist GSA contracting officials in obtaining the best value for federal customers and American taxpayers. The office also provides other services to assist management in evaluating and improving its programs.
- **THE OFFICE OF ADMINISTRATION**, a professional support staff that provides budget and financial management, contracting, facilities and support services, human resources, and Information Technology (IT) services, and administers the OIG's records management program.
- **THE OFFICE OF COUNSEL**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative and regulatory review.
- **THE OFFICE OF INSPECTIONS**, a multi-disciplinary organization that analyzes and evaluates GSA's programs and operations through management and programmatic inspections and evaluations that are intended to provide insight into issues of concern to GSA, Congress, and the American public. The office also coordinates quality assurance for the OIG, and analyzes potentially fraudulent or otherwise criminal activities in coordination with other OIG components.
- **THE OFFICE OF INVESTIGATIONS**, a statutory federal law enforcement organization that conducts nationwide criminal, civil, and administrative investigations of illegal or improper activities involving GSA programs, operations, and personnel.

OFFICE LOCATIONS

Headquarters:

Washington, D.C.

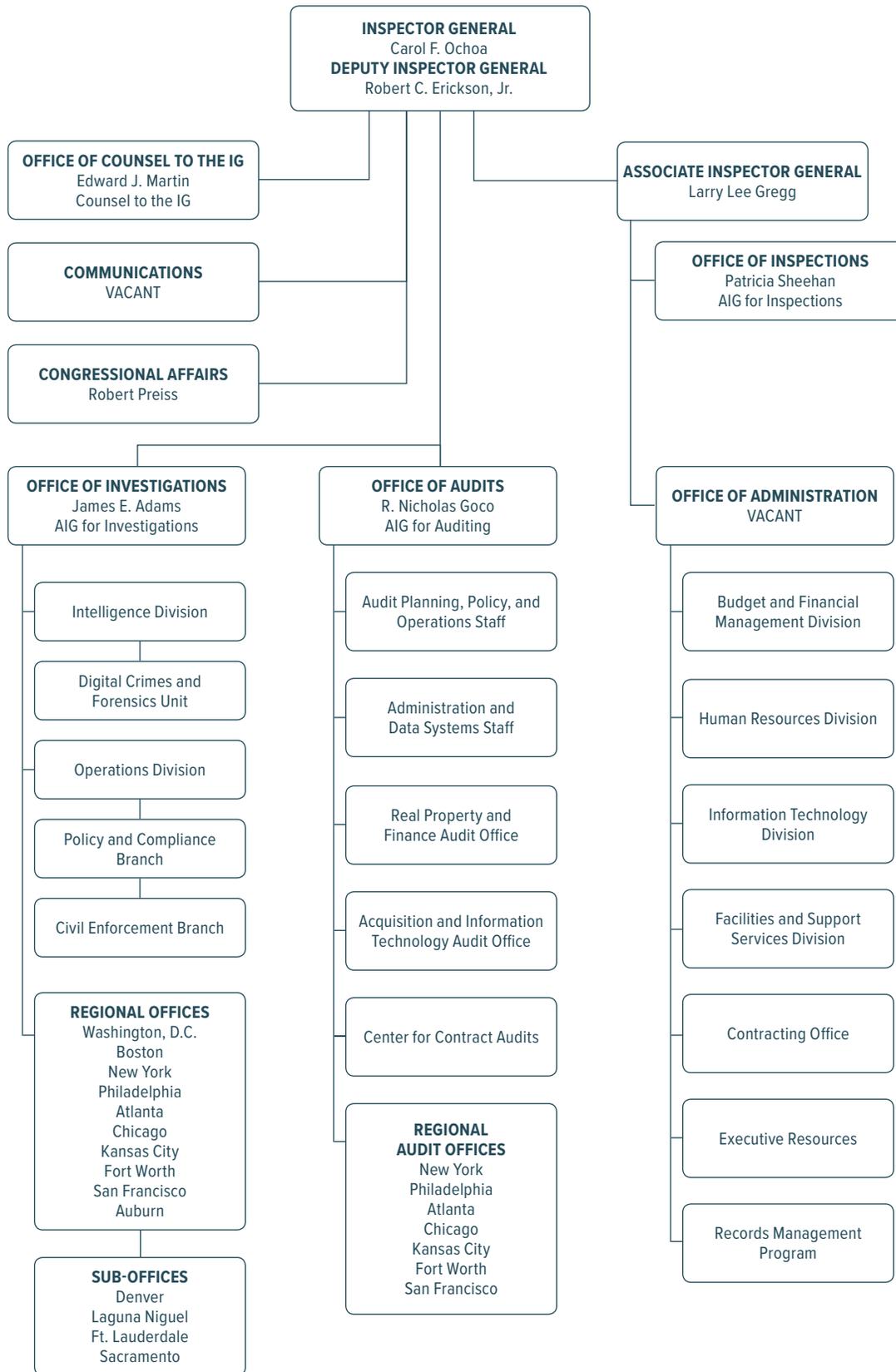
Field and Regional Offices:

Atlanta, Georgia; Auburn, Washington; Boston, Massachusetts; Chicago, Illinois; Denver, Colorado; Fort Lauderdale, Florida; Fort Worth, Texas; Kansas City, Missouri; Laguna Niguel, California; New York, New York; Philadelphia, Pennsylvania; Sacramento, California; and San Francisco, California.

STAFFING AND BUDGET

As of March 31, 2019, our on-board staffing level was 302 employees. The OIG's Fiscal Year 2019 budget is \$65 million in annual appropriated funds plus \$600 thousand in reimbursable authority.

OIG ORGANIZATION CHART



GSA'S MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000, Public Law 106-531, requires the Inspectors General of major federal agencies to report on the most significant management challenges facing their respective agencies. The following table briefly describes the challenges we have identified for GSA for Fiscal Year 2019.

CHALLENGE	BRIEF DESCRIPTION OF CHALLENGE
Enhancing and Maintaining an Effective Internal Control Environment Across GSA	GSA faces a significant challenge in establishing a comprehensive and effective system of internal controls. Although GSA is required to establish and maintain internal controls, our audit reports have repeatedly pointed out that GSA lacks effective internal controls, or has internal controls in place but does not follow them. Without an effective internal control environment, GSA risks noncompliance with laws and regulations, improper reporting of information, inefficiencies, and misuse or poor use of government resources.
Enhancing Government Procurement	GSA has a strategic goal of establishing itself as the premier provider of efficient and effective acquisition solutions across the federal government. As an integral part of GSA, the Federal Acquisition Service (FAS) has significant responsibility in meeting this goal. According to FAS, it leverages the buying power of the federal government to obtain necessary products and services at the best value possible. As FAS introduces initiatives to provide more efficient and effective acquisition solutions, it faces challenges in meeting its customers' needs. FAS's initiatives, both previous and new, significantly change FAS's processes and programs, affecting both its employees and its customers.
Maximizing the Performance of GSA's Real Property Inventory	GSA must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, the Public Buildings Service (PBS) should plan the best approach to reducing and consolidating space, disposing of and exchanging federal property, reducing leasing costs, effectively administering its leased portfolio, meeting the operations and maintenance needs of aging buildings, and ensuring effective management of energy and utility contracts.
Prioritizing Agency Cybersecurity	GSA is responsible for providing stable and secure technical solutions and services to meet the business needs of its customers, while ensuring compliance with IT security-related laws, regulations, and guidance. GSA is challenged with an environment of competing priorities and increasingly sophisticated cyber-attacks in high-risk areas. GSA management must improve its overall IT security program to ensure that the Agency protects its IT systems as well as sensitive information within.
Managing Human Capital Efficiently to Accomplish GSA's Mission	GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories that make up 43 percent of GSA's workforce. GSA faces the loss of veteran expertise through retirements, as 15 percent of employees in these mission-critical occupational categories are eligible to retire now.
Safeguarding Federal Facilities and Providing a Secure Work Environment	GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,600 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on <i>Critical Infrastructure Security and Resilience</i> , GSA is responsible for assisting with the development of contracts for compliant implementation of Physical Access Control systems and coordination with the Federal Protective Service to ensure building occupant security. However, we have found GSA's security clearance process for contractors needs improvement, GSA-managed facilities are at risk for unauthorized access, and facility-specific building badges at GSA-managed facilities are unsecured and unregulated.
Managing Revolving Funds Effectively	Effective financial management is extremely important for GSA given that most of GSA's operations are funded through revolving funds established by law to finance continuing operations. GSA must adhere to legislative mandates for the funds to recover costs and provide for the cost and capital requirements of the funds. As a result, GSA must properly manage these funds to ensure it can continue its operations and serve its federal agency customers.
Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch	GSA faces major challenges with the planned reorganization and transfer of several core functions currently performed by U.S. Office of Personnel Management (OPM) to GSA. GSA's efforts will be complicated by provisions in appropriations law that restrict agencies from spending any money on reorganization plans without congressional approval. Members of Congress have stated that more detailed information and analysis are needed to allow for effective congressional oversight of the reorganization. Beyond the legislative issues, GSA and OPM will face challenges in transitioning the government's human resources services with minimal disruption and without compromising the services provided.



Photo: Detail of recovered WPA painting "Landscape" by Theodore Polos

SIGNIFICANT AUDITS

SIGNIFICANT AUDITS

The Office of Audits conducts independent and objective audits to improve the effectiveness and efficiency of GSA's management and operations. These audits focus on GSA's programs, internal controls, IT infrastructure, and compliance with federal laws and regulations. Audits are also performed to assist GSA contracting personnel in obtaining the best value for federal customers. During this reporting period, we issued 32 audit reports, including 23 contract audits. Our contract audit work identified over \$134 million in potential cost savings and recoveries for the federal government.

PREAWARD AUDITS

GSA provides federal agencies with products and services through various contract types. Under GSA's procurement program, there are over 13,700 Multiple Award Schedule contracts, which generate more than \$32.5 billion in annual sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in savings from lower prices or more favorable contract terms and conditions for the benefit of the taxpayer.

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. Preaward audits provide vital, current information enabling contracting officers to significantly improve the government's negotiating position to realize millions of dollars in savings on negotiated contracts.

Three of our more significant preaward audits were of Multiple Award Schedule contracts with combined projected government sales exceeding \$761 million. Through these audits, we identified potential savings of \$88 million. We also found, among other things, that the contractors' commercial sales practices information was not accurate; employees working on schedule task orders were potentially unqualified; proposed labor rates were overstated; price reduction provisions were ineffective; and Industrial Funding Fees (IFF) were not accurately calculated.

INTERNAL AUDITS

AUDIT OF THE PBS NATIONAL CAPITAL REGION'S LEASE FINANCIAL PERFORMANCE

Report Number A170047/P/R/R19003, dated March 20, 2019

As part of the Public Buildings Service's (PBS) mission to provide effective workplace solutions for federal agencies at best value, PBS leases space from the private sector. The leasing program strives to generate sufficient revenue to break even after covering all administrative costs. The objectives of this audit were to determine whether PBS National Capital Region (NCR) leases met the goals of the PBS pricing policy and GSA's annual performance plans and to determine the reasons for any excessive variance in lease funds from operation (FFO).

We found that PBS NCR did not effectively manage its leased portfolio to ensure that it is fully recovering lease costs as required by the PBS Pricing Desk Guide. As measured by the lease FFO performance measure, PBS NCR's leasing portfolio lost over \$49 million in Fiscal Year 2016 and experienced a wide range of gains and losses on individual leases. We identified two deficiencies in PBS NCR's management of its leased portfolio that prevented individual leases from breaking even. First, we found that deficiencies in PBS NCR's planning and execution of certain leases resulted in unnecessary vacant space, which led to lease FFO losses. Second, PBS NCR lease administration and accounting errors caused variances in, and inaccurate reporting of, lease FFO. Specifically, we found that PBS NCR overpaid lessors, did not reimburse tenant agencies for overbillings as required, and did not accurately record leasing actions in the financial system.

Based on our audit findings, we made six recommendations to the PBS NCR Regional Commissioner. Specifically, we recommended that PBS NCR: (1) quantify potential losses to GSA due to vacant space when planning space consolidation projects and incorporate this risk analysis into business decisions; (2) develop a control to identify when termination rights are upcoming for a lease in order to have time to confirm with the tenant agency if space will still be required; (3) implement a process to ensure timely and accurate execution of lease actions, such as lease awards, extensions, terminations, and tenant improvement adjustments; (4) implement a control to pass through recoveries to tenant agencies as required by PBS policy; (5) reimburse tenant agencies for overpayments from the past 5 years; and (6) work with the Office of the Chief Financial Officer to correct accounting errors in the lease FFO tracking process.

The PBS NCR Regional Commissioner agreed with our report findings and recommendations.

AUDIT OF ENVIRONMENTAL ISSUES AT THE GOODFELLOW FEDERAL COMPLEX IN ST. LOUIS, MISSOURI

Report Number A170027/P/6/R19002, dated March 15, 2019

In 2016, the Department of Labor’s Occupational Safety and Health Administration (OSHA) issued a notice to PBS with seven serious citations of unsafe working conditions for the Goodfellow Federal Complex in St. Louis, Missouri. In response to the nature of the citations, we conducted this audit to evaluate environmental studies performed at the Goodfellow complex and PBS’s response to those studies leading up to OSHA’s notice. Our objectives were to determine whether PBS informed building tenants, contractors, and visitors about identified environmental hazards at the Goodfellow complex; and PBS’s response to the identified environmental hazards accorded with applicable laws, regulations, and policies.

We found that PBS failed to take appropriate measures to protect tenants, contractors, and visitors from environmental hazards at the Goodfellow complex due to ineffective environmental programs, policies, and guidance. Specifically, instead of taking appropriate action to remediate or protect workers from exposure to contaminants found in areas of the complex, PBS typically had the same areas retested with subsequent studies. Additionally, PBS’s inadequate response to the environmental hazards at the Goodfellow complex may have endangered the health of people at the complex and wasted taxpayer money. As a result, workers, contractors, and visitors to the complex were unable to make informed decisions about how to protect themselves from exposure to health hazards.

Based on our audit finding, we made two recommendations to the PBS Commissioner. Specifically, we recommended that PBS conduct a comprehensive assessment of the PBS Occupational Safety and Health Program and update the program to ensure adherence to OSHA requirements regarding environmental contamination.

We made four additional recommendations to the Heartland Region PBS commissioner. Those recommendations included: instituting controls that ensure the safety of tenants, establishing a public repository of environmental studies, distributing environmental studies, and taking corrective action in response to study findings.

PBS agreed with our report finding and recommendations.

**IMPLEMENTATION REVIEW OF CORRECTIVE ACTION
PLAN: AUDIT OF GSA’S RESPONSE TO THE PERSONALLY
IDENTIFIABLE INFORMATION BREACH OF SEPTEMBER 18, 2015,
REPORT NUMBER A160028/O/T/F16003, SEPTEMBER 28, 2016**

Assignment Number A180001, dated October 19, 2018

On September 28, 2016, we issued an audit report, *Audit of GSA’s Response to the Personally Identifiable Information Breach of September 18, 2015*, to the Office of GSA IT (GSA IT). GSA IT oversees GSA’s breach response process and notification procedures. The objective of the audit was to determine whether GSA identified and notified individuals affected by the September 18, 2015, personally identifiable information (PII) breach pursuant to federal requirements and applicable guidance and policy. Our audit found that GSA failed to notify individuals affected by the PII breach as required by GSA policy, due to a breakdown in its breach response process. As a result, we made four recommendations to the Senior Agency Official for Privacy/Chief Information Officer.

We performed this implementation review of the corrective actions taken in response to our 2016 audit report, and found that GSA IT did not fully implement the corrective actions for two audit recommendations. First, GSA IT did not issue timely breach notifications to the remaining affected individuals. Specifically, we found that GSA IT did not notify 20 individuals affected by the breach until more than 2 years after the initial breach occurred. As a result, these individuals could not take prompt action to protect themselves against the possibility of harm resulting from the exposure of their PII. Second, the revisions that GSA IT made to its Breach Notification Policy could hinder the timeliness of future breach notifications. In particular, we found that the revised policy does not specify the amount of time GSA’s response team has to make a breach determination, which could indefinitely extend the notification timeframe. These revisions provide limited assurance that GSA will make future breach notifications in a timely manner and without unreasonable delay.

As a result of our findings, GSA IT submitted a revised Corrective Action Plan addressing the open recommendations.

AUDIT OF THE FEDERAL RISK AND AUTHORIZATION MANAGEMENT PROGRAM, PROGRAM MANAGEMENT OFFICE’S GOALS AND OBJECTIVES

Report Number A170023/Q/T/P19002, dated March 21, 2019

We performed this audit to determine if GSA’s Federal Risk and Authorization Management Program (FedRAMP), Program Management Office’s (PMO) goals and objectives are sufficient to assess its effectiveness in accomplishing its mission. FedRAMP is a government-wide program designed to increase the pace at which the federal government adopts cloud computing services. It was developed to standardize how the Federal Information Security Management Act of 2002 applies to cloud computing services and the way the government conducts security assessments, authorizations, and continuous monitoring of cloud computing services.

We found that the FedRAMP PMO has not established an adequate structure comprising its mission, goals, and objectives for assisting the federal government with the adoption of secure cloud services. Specifically, the mission statement does not provide a clear direction for the FedRAMP PMO; objective statements are missing key attributes; and the alignment of the mission, goals, and objective statements makes it difficult to determine whether the FedRAMP PMO is meeting its mission in an effective manner.

Based on our audit findings, we made three recommendations to the GSA Federal Acquisition Service (FAS) Technology Transformation Services Director. These recommendations included revising FedRAMP PMO’s mission statement to a concise, singular statement; revising FedRAMP PMO’s objectives to make them more specific and measurable; and reviewing FedRAMP PMO’s mission, goals, and objectives to ensure they align in a cohesive manner.

The FAS Commissioner agreed with our report findings and recommendations.

LIMITED SCOPE AUDIT OF THE TECHNICAL SECURITY CONTROLS FOR AN INFORMATION SYSTEM

Report Number A170120/O/T/F19001 dated December 19, 2018

We performed a limited scope audit of the technical security controls for an information system. Our report included two findings and two recommendations related to technical security controls. The GSA’s Chief Information Officer agreed with our report findings and recommendations.

Due to the vulnerabilities addressed, this report is restricted from public release.

AUDIT OF IT SECURITY REQUIREMENTS IN GSA LEASING SUPPORT SERVICES CONTRACTS

Report Number A170092/P/R/R19004, dated March 21, 2019

We performed this audit in response to a hotline complaint regarding GSA's efforts to assist the GSA Leasing Support Services (GLS) contractors in meeting the contracts' IT security requirements. The GLS contracts are the third generation of GSA's national broker contracts, which provide leasing support services, including market surveys, site visits, document preparation, and lease negotiations. GSA uses these contracts to help manage its extensive lease acquisition workload. Our objective was to determine whether GSA's award and administration of the GLS contracts sufficiently protected government data. We focused on GSA's changes to the IT security requirements for the GLS contracts.

We found that GSA did not effectively manage changes to the IT security requirements for the GLS contracts. Specifically, GSA violated federal competition requirements by significantly changing the contractors' IT security obligations subsequent to contract award. In so doing, GSA materially altered the time and cost associated with meeting the contracts' IT security requirements. This resulted in a cardinal change to the contracts, which violated the Competition in Contracting Act and FAR.

Additionally, GSA lacked assurance that government data maintained on contractor systems was secure because GSA did not issue contract modifications or guidance reflecting the changes to the GLS contracts' IT security requirements for more than one year after the changes were made. This led to a substantial period in which the contracts' IT security requirements were unclear and government data stored on contractor systems was potentially vulnerable to improper use.

Based on our audit findings, we made two recommendations to the PBS Commissioner. First, we recommended that PBS coordinate with GSA IT to ensure that the IT requirements and solutions for the next national broker contract solicitation accurately reflect the actual IT security requirements for contractor performance. Second, we recommended that PBS identify other contracts in which contractors access government data through GSA accounts to ensure the contracts include the terms and conditions necessary to protect the data and guidance defining roles and responsibilities governing compliance with IT security requirements.

The PBS Commissioner agreed with our report findings and recommendations.

FAS CANNOT EVALUATE THE FAST LANE PROGRAM'S PERFORMANCE FOR CONTRACT MODIFICATIONS

Report Number A170097/Q/7/P19001 dated October 24, 2018

FAS established the FAST Lane Program to streamline the process for awarding and modifying Multiple Award Schedule 70, General Purpose Commercial Information Technology Equipment, Software, and Services contracts. Under this program, FAS's goals are to award new contracts within 30 to 45 days and modifications within 24 to 48 hours. Our audit objective was to determine whether the FAST Lane Program achieved its purpose to provide customer agencies quicker access to vendors with new and emerging technologies and meet its program goals.

FAS's FAST Lane Program appeared to meet its intended goal of awarding new contracts within 30 to 45 days. In our sample of 22 FAST Lane contracts, we found that 18 were awarded in 45 days or less. In addition, the remaining four sampled FAST Lane contracts were awarded between 48 and 69 days, which is significantly less than the average 110 days for award.

However, FAS could not determine if it is achieving its intended purpose and program goal of awarding FAST Lane contract modifications within 24 to 48 hours because it did not identify requests for FAST Lane modifications upon receipt and did not track the processing of such modifications. Instead, FAS retroactively designated modifications as FAST Lane only if they were processed in 2 days or less. Consequently, its reported program results were unreliable and could not be substantiated.

Based on our audit finding, we recommended that the FAS Commissioner direct the Assistant Commissioner, Office of Information Technology Category to implement an effective process to evaluate and accurately report the FAST Lane Program performance for contract modifications. It should also identify requests for FAST Lane modifications upon receipt and track the processing of such modifications.

The FAS Commissioner agreed with our report finding and recommendation.

AUDIT OF THE PUBLIC BUILDINGS SERVICE'S USE OF CONTRACT EMPLOYEES IN THE NEW ENGLAND AND NORTHEAST AND CARIBBEAN REGIONS

Report Number A160134/P/2/R19001, dated December 12, 2018

PBS's use of contract employees is substantial. In Fiscal Year 2016, GSA's budget included about \$63 million for PBS management support, defined as PBS functions that are contracted out. We performed this audit to determine whether PBS offices in the New England and Northeast and Caribbean Regions are properly awarding and administering contracts for contractor employees in compliance with applicable regulations and guidance, and have appropriate internal controls in place to ensure effective oversight of contractor employees.

We found deficiencies in PBS’s administration and oversight of contracts for contractor employees in the New England Region and the Northeast and Caribbean Region. Specifically, both PBS regions lacked policies and procedures to prevent acquisition personnel from awarding and administering prohibited personal services contracts. We also found that the Northeast and Caribbean Region PBS did not comply with applicable regulations and guidance in its acquisitions for contractor support services and, as a result, put the government at risk of waste, fraud, and abuse.

Based on our audit findings, we made two recommendations. First, we recommended that both PBS Regional Commissioners develop, implement, and maintain the management controls and policies and procedures necessary to ensure that PBS is not awarding and administering contracts in a manner that creates prohibited personal services contracts. Second, we recommended that the PBS Regional Commissioner for the Northeast and Caribbean Region direct regional management to correct the specific contract award and administration issues we identified regarding areas of noncompliance with applicable regulations and guidance.

PBS agreed with our report findings and recommendations.

**IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN:
AUDIT OF FAS’S CONTRACTOR ASSESSMENTS PROGRAM
REPORT NUMBER A150131/Q/T/P16004, SEPTEMBER 21, 2016**

Assignment Number A180071, dated December 21, 2018

On September 21, 2016, we issued an audit report, *Audit of FAS’s Contractor Assessments Program* to the FAS Commissioner. Our audit found that FAS’s Contractor Assessments program added value as a means to monitor compliance with Multiple Award Schedule contract terms and conditions. However, we also determined that there were areas in which program processes could be improved in order to enhance consistency, completeness, and value obtained from the assessments and reports. We found that: the assessment guidance did not provide specific requirements for sampling sales transactions and résumés; the Industrial Operations Analysts (IOA) who conducted the assessments did not consistently report on labor qualifications; and the lack of a formalized training program and training requirements for experienced IOAs may have led to inconsistent knowledge and skills. Based on our audit findings, we made three recommendations to the FAS Commissioner.

We performed this implementation review of the corrective actions taken in response to the recommendations contained in our 2016 audit report. Our implementation review found that, while FAS implemented the agreed-upon corrective actions, the actions taken did not result in consistent documentation in the IOA assessment reports, nor did they fully address parity in IOA knowledge and skills. Specifically, the changes to the sampling guidance did not result in consistent sampling documentation; the changes to the guidance

on labor qualifications reporting did not result in consistent documentation of labor qualification findings; and the IOA training curriculum did not fully address consistency in IOA's knowledge and skills.

As a result of our findings, FAS submitted a revised Corrective Action Plan addressing the open recommendations.

OVERSIGHT OF THE INDEPENDENT AUDITOR'S REPORT ON GSA'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2018

As required by the Chief Financial Officers Act of 1990, Public Law 101-576, as amended, GSA's Fiscal Year 2018 Financial Statements Audit was performed by an independent public accounting (IPA) firm. We monitored the audit for compliance with generally accepted government auditing standards and Office of Management and Budget Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

The IPA identified two significant deficiencies in GSA's internal controls over access to financial management systems and financial reporting. During the Fiscal Year 2019 audit, the IPA will review GSA's supporting evidence to determine whether corrective actions for these significant deficiencies have been fully implemented.

OVERSIGHT OF THE INDEPENDENT AUDITOR'S EVALUATION ON THE EFFECTIVENESS OF GSA'S INFORMATION SECURITY PROGRAM AND PRACTICES FOR FISCAL YEAR 2018

The Federal Information Security Modernization Act of 2014 (FISMA) requires an annual evaluation of each agency's information security program and practices. Accordingly, for Fiscal Year 2018, GSA contracted with an IPA to conduct its independent evaluation. We monitored the evaluation for compliance with quality standards and reporting guidance.

The IPA's evaluation concluded that GSA's information security program and practices for its information systems were established and have been maintained for the five cybersecurity functions and eight FISMA metric domains. The IPA reported that, while GSA has implemented a security program, it was ineffective to identify eight control deficiencies in three of five FISMA metric functions. The IPA's report included 13 recommendations related to these control deficiencies designed to strengthen the respective GSA information systems and information security program. The GSA Chief Information Officer agreed with the IPA's findings and recommendations.

During Fiscal Year 2019, the IPA performing the FISMA evaluation will review and follow up on the identified findings and recommendations under previous IPA FISMA evaluations that GSA has not addressed.

SUMMARY OF CONTRACT AUDIT REPORTS

The Office of Audits issues contract audit reports to provide assistance to contracting officials in awarding and administering GSA contracts. The two primary types of contract audits include:

- Preaward audits provide GSA contracting officials with information to use when negotiating fair and reasonable GSA contract prices.
- Postaward audits examine GSA contractor’s adherence to contract terms and conditions.

During the period October 1, 2018, to March 31, 2019, we issued 23 contract audit reports. In these reports, we found:

- 12 contractors did not submit accurate, current, and complete information.
- 9 contractors did not comply with price reduction provisions.
- 9 contractors overcharged GSA customers.
- 8 contractors did not adequately accumulate and report schedule sales for IFF payment purposes and/or did not correctly calculate and submit their IFF payments.
- 4 contractors assigned employees who were unqualified for their billable positions to work on GSA schedule task orders.

We also recommended over \$134 million in cost savings. This includes funds that could be put to better use, which is the amount the government could save if our audit findings are implemented. It also includes questioned costs, which is money that should not have been spent such as overbillings and unreported price reductions.

October 1, 2018 – March 31, 2019

CONTRACT AUDIT REPORTS	
Recommendations that funds be put to better use	\$132,293,262
Questioned Costs	\$2,279,683

FAR DISCLOSURE PROGRAM

The FAR requires government contractors to disclose credible evidence of violations of federal criminal law under Title 18 of the United States Code (18 U.S.C.) and the False Claims Act to agencies' OIGs. To facilitate implementation of this requirement, we developed internal procedures to process, evaluate, and act on these disclosures and created a website for contractor self-reporting.

FAR RULE FOR CONTRACTOR DISCLOSURE

Federal Acquisition Regulation 52.203-13(b) implements the Close the Contractor Fraud Loophole Act, Public Law 110–252, Title VI, and Chapter 1. Under the rule, a contractor must disclose, to the relevant agency's OIG, certain violations of federal criminal law (within 18 U.S.C.), or a violation of the civil False Claims Act, connected to the award, performance, or closeout of a government contract performed by the government contractor or subcontractor. The rule provides for suspension or debarment of a contractor when a principal knowingly fails to disclose, in writing, such violations in a timely manner.

DISCLOSURES FOR THIS REPORTING PERIOD

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received nine new disclosures. The matters disclosed include product substitution, time reporting errors, cyber security deficiencies, unallowable taxes, unreported price reductions, Environmental Protection Agency (EPA) fuel economy and emissions certification inaccuracies, and a product recall. We concluded our evaluation of 12 disclosures that resulted in over \$10.7 million in settlements and recoveries to the government. We also assisted on six disclosures referred by another agency because of the potential impact on GSA operations and continued to evaluate 10 pending disclosures.

STATISTICAL SUMMARY OF OIG AUDITS

October 1, 2018 – March 31, 2019

OFFICE OF AUDITS	
Total financial recommendations	\$134,572,945
These include:	
Recommendations that funds be put to better use	\$132,293,262
Questioned costs	\$2,279,683
Audit reports issued	32
Audit memoranda provided to GSA	1
GSA Management decisions agreeing with audit recommendations	\$121,192,584

Audit Reports Issued

The OIG issued 32 audit reports. These reports contained financial recommendations totaling nearly \$134.6 million, including more than \$132 million in recommendations that funds be put to better use and over \$2.2 million in questioned costs. Due to GSA's mission of negotiating contracts for government-wide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other federal agencies.

Management Decisions on OIG Audit Reports

Table 1 summarizes the status of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 2019. There were six reports more than 6-months old awaiting management decision as of March 31, 2019. Table 1 does not include two implementation reviews that were issued during this period because they were excluded from the management decision process. Table 1 also does not include three reports excluded from the management decision process.

Table 1. GSA Management Decisions on OIG Reports

	NUMBER OF REPORTS	REPORTS WITH FINANCIAL RECOMMENDATIONS*	TOTAL FINANCIAL RECOMMENDATIONS
For which no management decision had been made as of 10/01/2018			
Less than 6 months old	13	5	\$60,350,682
Six or more months old	3	1	\$187,547,639
Reports issued this period	30	18	\$134,572,945
TOTAL	46	24	\$382,471,266
For which a management decision was made during the reporting period			
Issued prior periods	10	3	\$56,631,624
Issued current period	11	6	\$64,560,960
TOTAL	21	9	\$121,192,584
For which no management decision had been made as of 03/31/2019			
Less than 6 months old	19	12	\$70,011,985
Six or more months	6	3	\$191,266,697
TOTAL	25	15	\$261,278,682

* These totals include audit reports issued with both recommendations that funds be put to better use and questioned costs.

GSA Management Decisions on OIG Reports with Financial Recommendations

Tables 2 and 3 present the reports identified in Table 1 as containing financial recommendations by category (funds be put to better use or questioned costs).

Table 2. GSA Management Decisions on OIG Reports with Recommendations that Funds Be Put to Better Use

	NUMBER OF REPORTS	FUNDS BE PUT TO BETTER USE
For which no management decision had been made as of 10/01/2018		
Less than 6 months old	5	\$59,973,251
Six or more months	1	\$187,547,639
Reports issued this period	13	\$132,293,262
TOTAL	19	\$379,814,152
For which a management decision was made during the reporting period		
Recommendations agreed to by management	8	\$121,066,323
Recommendations not agreed to by management	0	\$0
TOTAL	8	\$121,066,323
For which no management decision had been made as of 03/31/2019		
Less than 6 months old	8	\$67,825,795
Six or more months old	3	\$190,922,034
TOTAL	11	\$258,747,829

GSA Management Decisions on OIG Reports with Questioned Costs

Table 3. GSA Management Decisions on OIG Audit Reports with Questioned Costs

	NUMBER OF REPORTS	QUESTIONED COSTS
For which no management decision had been made as of 10/01/2018		
Less than 6 months old	3	\$377,431
Six or more months old	0	\$0
Reports issued this period	12	\$2,279,683
TOTAL	15	\$2,657,114
For which a management decision was made during the reporting period		
Disallowed costs	4	\$126,261
Costs not disallowed	0	\$0
TOTAL	4	\$126,261
For which no management decision had been made as of 03/31/2019		
Less than 6 months old	9	\$2,186,190
Six or more months old	2	\$344,663
TOTAL	11	\$2,530,853

SIGNIFICANT INSPECTIONS

SIGNIFICANT INSPECTIONS

The Office of Inspections conducts systematic and independent assessments of the Agency's operations, programs, and policies, and makes recommendations for improvement. Reviews involve on-site inspections, analyses, and evaluations to provide information that is timely, credible, and useful for Agency managers, policymakers, and others. Inspections may include an assessment of efficiency, effectiveness, impact, and sustainability of any Agency operation, program, or policy. Inspections are performed in accordance with the Council of the Inspectors General for Integrity and Efficiency *Quality Standards for Inspection and Evaluation*.

During this reporting period, the office issued one inspection report with one recommendation affecting GSA's outleasing procedures.

EVALUATION OF GSA'S MANAGEMENT AND ADMINISTRATION OF THE OLD POST OFFICE BUILDING LEASE

Report Number JE19-002, dated January 16, 2019

Congress passed the Old Post Office Building Redevelopment Act of 2008 and directed GSA to redevelop the Old Post Office (OPO) building. After reviewing and evaluating proposals, GSA selected the Trump Old Post Office LLC (Tenant), with Donald J. Trump holding the majority interest in Tenant, as the preferred selected developer on February 7, 2012, to restore and redevelop the site into a luxury 260-room hotel. After the Act's congressional review period expired, the parties executed a 60-year ground lease on August 5, 2013, which required Tenant to pay GSA a minimum of \$3 million in rent annually. The Trump International Hotel officially opened on October 26, 2016, and it has been in continuous operation since that date. On November 8, 2016, Donald J. Trump was elected President of the United States.

We initiated this evaluation based on numerous complaints from members of Congress and the public about GSA's management of the lease. We focused on GSA's decision-making process for determining whether the election caused Tenant to be in breach of the lease upon the President's inauguration. We did not seek to determine whether the President's business interest violates either the Foreign Emoluments Clause or the Presidential Emoluments Clause of the U.S. Constitution or whether any violation caused a breach of the terms and conditions of the lease, including Section 37.19 (the Interested Parties provision), that restricts a U.S. elected official's participation in the lease. Rather, we sought to determine whether there were any improprieties in GSA's decision-making process regarding these issues.

Shortly after the November 2016 election, lawyers in GSA's Office of General Counsel (OGC) began discussing the issues raised under the two Emoluments Clauses and Section 37.19. We found that GSA recognized that the President's business interest in the OPO lease raised issues under the Emoluments Clauses that might cause a breach of the lease. However, GSA decided in December 2016 not to address those issues in connection with the management of the lease. Although GSA decided that the issues were beyond the Agency's purview, we found that the decision to exclude the emoluments issues from its consideration of the lease was improper because GSA, like all government agencies, has an obligation to uphold and enforce the Constitution. Moreover, we found that the OPO lease, itself, requires that consideration by requiring compliance with the laws of the United States.

We also found that GSA does address emoluments issues and in 2013, the same year GSA signed the OPO lease, relied on the Foreign Emoluments Clause to prohibit an employee from doing business with a foreign government as part of the employee's private real estate practice. GSA knew that the Department of Justice's Office of Legal Counsel (OLC) issued controlling opinions on the Foreign Emoluments Clause and the Presidential Emoluments Clause, but GSA did not research those opinions when the Agency recognized that emoluments issues arose with the OPO. We found that GSA also did not seek OLC's guidance on the emoluments issues, even though GSA was working with OLC on another issue at the time and even though OLC provided a satisfactory solution when GSA confronted a similar issue after Members of Congress sought to participate in a business arrangement that included interests in federal leases.

Finally, we found that GSA's unwillingness to address the constitutional issues affected its analysis of Section 37.19 of the lease that led to GSA's conclusion that Tenant's business structure satisfied the terms and conditions of the lease. As a result, GSA foreclosed an early resolution of the issues under the Constitution and the lease, including a possible solution satisfactory to all parties; and the uncertainty over the lease remains unanswered.

To address these findings, we recommended that before continuing to use the language, GSA should determine the purpose of the Interested Parties provision, conduct a formal legal review by OGC that includes consideration of the Foreign and Presidential Emoluments Clauses, and revise the language to avoid ambiguity. GSA agreed with the recommendations and has stated its intention to take corrective action.



Photo: John Minor Wisdom U.S. Court of Appeals Building, New Orleans, LA

SIGNIFICANT INVESTIGATIONS



Photo: Fresco paintings surrounding doorway to room 5138, Department of Justice, Washington, D.C.

SIGNIFICANT INVESTIGATIONS

The Office of Investigations conducts independent and objective investigations relating to GSA programs, operations, and personnel. The office consists of special agents with full statutory law enforcement authority to make arrests, execute search warrants, serve subpoenas, and carry concealed weapons. Special agents conduct investigations that may be criminal, civil, or administrative in nature and often involve complex fraud schemes. Investigations can also involve theft, false statements, extortion, embezzlement, bribery, anti-trust violations, credit card fraud, diversion of excess government property, and digital crimes. During this reporting period, the office opened 52 investigative cases, closed 53 investigative cases, referred 78 subjects for criminal prosecution, and helped obtain 19 convictions. Civil, criminal, and other monetary recoveries resulting from our investigations totaled over \$54 million.

CRIMINAL INVESTIGATIONS

GOVERNMENT CONTRACTOR SENTENCED FOR SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS FRAUD

A GSA OIG investigation found that Paul Salavitch, part owner of Patriot Company, Inc., falsely represented to federal agencies that Patriot Company, Inc. was a service-disabled veteran-owned small business. Salavitch lent his name and service-disabled veteran-owned small business status to the scheme, which allowed a co-owner to obtain \$13.8 million in set-aside federal construction contracts that he was not eligible to receive. This scheme involved major fraud, money laundering, wire fraud, and conspiracy. Subsequently, Salavitch pleaded guilty to making a false writing. On October 4, 2018, Salavitch was sentenced to three years' probation for his participation in the fraud scheme. GSA OIG investigated this case with the U.S. Department of Veterans Affairs (VA) OIG.

COMPANY EXECUTIVE PLEADED GUILTY TO HIS INVOLVEMENT IN FRAUD SCHEME

We previously reported that Karda Systems, LLC, SEK Solutions, LLC, and officers of both companies agreed to settle alleged False Claims Act violations related to bidding and performing on federal contracts for tactical equipment and IT equipment and services. Specifically, Karda Systems, LLC and its owner, Sam Caragan, agreed to pay the government \$80,000 plus interest. SEK Solutions, LLC, its owner Edna Denis Naim, and Executive Vice President Khalil Naim agreed to pay the government \$140,000. Khalil Naim pleaded guilty to aiding and abetting a false statement. He and SEK Solutions, LLC vice president Ronald Villanueva were issued notices of suspension from doing business with the U.S. Government. On January 9, 2019, Villanueva was indicted for conspiracy to defraud the United States, falsification of records, and aiding and abetting false written statements for his alleged conduct related to SEK Solutions, LLC and Karda Systems, LLC. On March 19, 2019, Villanueva pleaded guilty to conspiracy to defraud the United States. GSA OIG investigated this case with the Small Business Administration OIG, Federal Bureau of Investigation (FBI), Defense Criminal Investigative Service (DCIS), and Naval Criminal Investigative Service.

TWO INDIVIDUALS SENTENCED RELATING TO FALSE CLAIMS AND CONSPIRACY TO DEFRAUD THE GOVERNMENT

A GSA OIG investigation revealed that Onur Simsek, Andrea Cabrera, Sercan Kapukaya, Erman Demirbozan, and Kaya Keklikci created fraudulent entity registrations in GSA's System for Awards Management and used them to obtain contracts to provide substandard and counterfeit items to the U.S. Department of Defense. They were arrested in Florida for conspiracy to defraud the government, false and fictitious claims, use of false documents, and wire fraud violations. Kapukaya, Keklikci, and Demirbozan previously pleaded guilty and were sentenced. On October 12, 2018, Simsek pleaded guilty to conspiracy and was sentenced to 150 days' incarceration, one year of probation, and restitution in the amount of \$27,875. On November 2, 2018, Cabrera was sentenced to three years of probation and ordered to pay \$27,875 in restitution. GSA OIG investigated this case with DCIS, Homeland Security Investigations, United States Secret Service, and U.S. Air Force Office of Special Investigations.

TWO INDIVIDUALS SENTENCED FOR THEIR ROLE IN EXPLOITING THE FEDERAL SURPLUS PROPERTY DONATION PROGRAM

A GSA OIG investigation found that Mark Jackson, Jimmy Winemiller, and Don Stephens Jr., each from Little Rock, Arkansas, participated in a fraudulent scheme to exploit GSA's Federal Surplus Property Donation Program. The donation program was designed to assist qualifying businesses, municipal agencies, disadvantaged businesses, and non-profit organizations. The three men conspired to use false pretenses to acquire government surplus property that was otherwise unavailable to the general public. The property was then sold for significant profits. Over the course of the scheme, Jackson acquired hundreds of pieces of equipment, which he, Winemiller, and Stephens sold for over \$2.5 million. They each pleaded guilty to conspiracy to commit wire fraud. On October 30, 2018, Stephens was sentenced to 30 days' imprisonment followed by two years' supervised release and was required to pay a monetary judgment of approximately \$125,700. On March 4, 2019, Winemiller was sentenced to 20 months' imprisonment followed by two years' supervised release and was required to pay a monetary judgment of \$250,000. Jackson is awaiting sentencing. GSA OIG investigated this case with the FBI and Small Business Administration OIG.

MULTIPLE AWARD SCHEDULE CONTRACTOR CONVICTED OF PRODUCT SUBSTITUTION SCHEME

A GSA OIG investigation found that Jim A. Meron, owner of WOW Imaging Products, LLC, substituted compatible toner cartridges for new, genuine original equipment manufacturer cartridges ordered by government customers via the GSA Advantage online ordering system. On November 5, 2018, Meron pleaded guilty to wire fraud pursuant to an information filed in the Eastern District of California in October 2018. As part of the plea, Meron agreed to forfeit over \$1.7 million in assets that were the proceeds of the fraud scheme which was perpetrated from May 2011 through July 2017. GSA OIG investigated the case with DCIS.

CITY AIRPORT MANAGER PLEADED GUILTY TO DEFRAUDING THE FEDERAL SURPLUS PROPERTY PROGRAM

A GSA OIG investigation determined that Jeffrey Cotton, the former airport manager for the City of Burns, Oregon, fraudulently acquired approximately \$1.2 million in surplus property through GSA's Federal Surplus Property Program for his personal benefit by falsely certifying to GSA that the property was being acquired for airport use. On February 20, 2019, Cotton pleaded guilty to theft from a local government receiving federal funds. GSA OIG investigated this case with the FBI.

THIRD CONSPIRATOR SENTENCED IN MAJOR FRAUD SCHEME

A GSA OIG investigation found that Roy Friend, civilian chief of the U.S. Army's Aviation and Missile Command Fleet Management Office, conspired with John Berry and Francis Roach to misuse Army funds and the GSA Advantage! Program. They purchased over \$900,000 in tools and other related items, which were shipped to personal addresses for sale and personal gain. All three pleaded guilty to various federal violations and both Friend and Berry were previously sentenced. On October 18, 2018, Roach was sentenced to 21 months of incarceration and three years of supervised release, and he was ordered to pay restitution in the amount of \$86,760. GSA OIG investigated this case with DCIS and the FBI.

D.C. ARMY NATIONAL GUARD EMPLOYEE CHARGED AND SENTENCED IN VEHICLE THEFT

A GSA OIG investigation found that D.C. Army National Guard employee Kiley Stubbs took a government owned vehicle without authorization and destroyed it in a late night accident. On December 10, 2018, Stubbs was charged with theft of government property. On January 23, 2019, Stubbs pleaded guilty to the charge and was sentenced to one year of probation and restitution of the value of the vehicle in the amount of \$14,010. GSA OIG investigated this case with the Fort Belvoir Military Police.

UTAH MAN CONVICTED AND SENTENCED FOR THEFT AND IMPERSONATING A FEDERAL OFFICER

A GSA OIG investigation determined that Justin Fox stole four license plates from GSA leased vehicles assigned to a VA Hospital. Fox attached one of the GSA license plates to a stolen vehicle to make it appear as if it was a federal vehicle. Fox led the Utah Highway Patrol on a high speed chase and attempted to escape by impersonating a federal agent. On May 31, 2017, Fox was indicted for theft of government property and impersonating a federal officer. On November 6, 2018, Fox pleaded guilty to impersonating a federal officer and on January 29, 2019, he was sentenced to 23 months and 19 days in prison (time served), 12 months of probation and \$13,845 in restitution. GSA OIG investigated this case with Federal Protective Service.

FORMER U.S. FOREST SERVICE FLEET & EQUIPMENT SPECIALIST PLEADED GUILTY AND SENTENCED FOR MANIPULATING GSA AUCTION SYSTEM

A GSA OIG investigation determined that former U.S. Forest Service Fleet & Equipment Specialist Robert Alexander, whose role was to dispose of U.S. Forest Service fleet vehicles, made misrepresentations to the GSA Auctions System that a 2012 Dodge Ram fleet vehicle had been completely totaled so it would attract dramatically lower bids through the GSA Auctions website. Alexander had his girlfriend bid on and received this truck for a price that was substantially lower than market value. On May 30, 2018, Alexander and his girlfriend were indicted in the District of Utah on charges of theft of government property and aiding and abetting. Alexander resigned from the U.S. Forest Service and pleaded guilty to theft of government property. On January 4, 2019, he was sentenced to 24 months' probation and fined \$2,000. Charges against his girlfriend were dropped for her cooperation with the prosecution. GSA OIG investigated this case with U.S. Department of Agriculture OIG.

FORMER GSA PBS EMPLOYEE PLEADED GUILTY FOR THEFT AND LYING TO GSA OIG AGENTS

A GSA OIG investigation found that Jon Berts, former PBS employee, falsified military documents and VA medical letters and lied to GSA OIG agents regarding a government computer he claimed had been lost. On December 14, 2018, Berts pleaded guilty in U.S. District Court, Northern District of California, to making false statements and theft of government property. Berts admitted to authoring three VA medical letters, forging military letters purporting to be from the U.S. Navy for military drills, and lying to GSA OIG special agents. GSA OIG investigated the case with the Naval Criminal Investigative Service and VA OIG.

COMPANY PRESIDENT PLEADED GUILTY TO WIRE FRAUD

A GSA OIG investigation found that Michael Modrich, President of Med-Tech Resources, LLC, fraudulently used and advertised the GSA contract of a woman-owned small business in connection with a scheme to generate sales to the U.S. Government. Some of the sales involved emergency supplies imported from China that were used by first responders in violation of import laws. On November 28, 2018, Modrich pleaded guilty to wire fraud in the District of Oregon. GSA OIG investigated this case with Homeland Security Investigations.

CIVIL SETTLEMENTS

CAPITOL SUPPLY INC. AGREED TO A \$125,000 SETTLEMENT

On December 11, 2018, Capitol Supply Inc., agreed to pay \$125,000 to resolve allegations under the False Claims Act that between 2004 and 2010, Capitol Supply Inc. provided Fellowes brand shredders, which were not compliant with the Trade Agreements Act, to various federal agencies through its GSA Multiple Award Schedule contract.

MISSING FEDERAL FIREARMS CASE RESOLVED BY MUTUAL RELEASE AGREEMENTS

A GSA OIG investigation determined that multiple firearms obtained by the Sunset Police Department, Sunset, Arkansas, through GSA's Surplus Firearm Donation Program, had been misappropriated or reported stolen. The U.S. Attorney's Office, Eastern District of Arkansas, through Mutual Release Agreements, facilitated the return of three handguns and two shotguns, valued at \$1,900, that were not utilized in accordance with program requirements.

ADMINISTRATIVE MISCONDUCT

GSA PBS EMPLOYEE TERMINATED FOR UNAUTHORIZED ABSENCES AND FAILING TO FOLLOW PROPER LEAVE PROCEDURES

A GSA OIG investigation determined that a GSA PBS building manager submitted numerous fictitious medical documents containing forged signatures of physicians in support of her excessive absences from work. On October 15, 2018, the employee was terminated from her position as a building manager.

GSA PBS BUILDING MANAGER RETIRES WHILE UNDER INVESTIGATION

A GSA OIG investigation determined that a GSA PBS building manager repeatedly and anonymously mailed greeting cards containing lingerie coupons to unsuspecting females, including coworkers. Many of the women interviewed stated they felt threatened and unsafe because of the mailings. The building manager retired from federal service while GSA was determining the appropriate administrative action to take in this case.

HEADQUARTERS FAS ANALYST SUSPENDED FOR 30 DAYS

A GSA OIG investigation determined that a FAS program analyst at GSA Headquarters used his government issued laptop to view pornographic material. This investigation was initiated on a referral from the GSA Office of the Chief Information Officer. The employee was subsequently suspended for 30 days.

INVESTIGATIONS OF SENIOR OFFICIALS

ALLEGATIONS AGAINST SENIOR GOVERNMENT EMPLOYEE UNSUBSTANTIATED

GSA OIG initiated an investigation of allegations that senior government employees improperly influenced the security clearance process to grant one of the employees a clearance. The investigation concluded that the allegations were unsubstantiated.

FLEET CARD FRAUD

During this reporting period, we continued to investigate Fleet card cases. Notable cases include:

- Christopher Wright, an Electrical Industrial Control Mechanic at the Naval Surface Warfare Center in Dahlgren, Maryland, fraudulently purchased approximately \$6,632 in fuel with a GSA Fleet credit card assigned to a Navy vehicle. Wright was charged with Virginia state violations related to credit card fraud, embezzlement, and obtaining money through false pretense. On November 1, 2018, Wright was sentenced to nine years' incarceration (suspended) and ordered to pay full restitution to the government. The King George County, Virginia, Sheriff's Office assisted in this investigation.
- Jose Andres Aguilera Rojas used GSA Fleet card information to re-encode a counterfeit credit card, which was then used to fraudulently purchase over \$6,400 of diesel fuel. On October 16, 2018, Rojas pleaded guilty to credit card abuse and fraudulent use of identifying information and was sentenced to four years' probation and ordered to perform 200 hours of community service.
- Gregory Ciego, Petty Officer First Class, assigned to the United States Naval Recruiting Station, Wilkes Barre, Pennsylvania, used GSA Fleet credit cards to fuel his personal vehicles. Ciego previously pleaded guilty to theft of government property in the Middle District of Pennsylvania and was sentenced on November 26, 2018, to two years' probation and ordered to pay \$1,734 in restitution.
- A U.S. Army Sergeant stationed at Joint Base Lewis-McChord, Tacoma, Washington, used GSA Fleet credit cards to purchase fuel for his personal benefit. On November 5, 2018, the Sergeant pleaded guilty to a false official statement and larceny under Uniform Code of Military Justice proceedings and was subsequently sentenced to 45 days' restriction, a \$500 fine, and ordered to forfeit \$1,500 in salary.
- Timbya Whitted, Retired Staff Sergeant with the U.S. Army, and Brenda Brown, Training Specialist, Army civilian employee, from Fort Lee, Virginia, used GSA Fleet credit cards to make fraudulent purchases and to fuel personal vehicles. On December 17, 2018, Whitted pleaded guilty to a misdemeanor credit card fraud charge and was sentenced to six months' incarceration, with five months and 20 days being suspended, and \$678 in restitution. Brown pleaded guilty to a misdemeanor embezzlement charge and was sentenced to six months' incarceration, with five months and 20 days being suspended, and \$582 in restitution.

- Michael Stevens, a former civilian Air Force employee assigned to the 62nd Operation Support Squadron in Moses Lake, Washington, used GSA Fleet credit cards to purchase fuel for his personal benefit. Stevens pleaded guilty to a theft charge in the Eastern District of Washington, and on January 28, 2019, he was sentenced to three years' probation and ordered to pay \$770 in restitution.
- Johnney Lungo used a stolen GSA Fleet credit card to purchase approximately \$3,950 in fuel for his personal benefit. On January 9, 2019, Lungo pleaded guilty in the District of Oregon to theft and is awaiting sentencing.

WPA ART INVESTIGATIONS

As a direct result of the cooperative efforts between the OIG and the GSA Office of the Chief Architect's Fine Arts Program (FAP), one lost piece of Works Progress Administration (WPA) artwork was reclaimed and inventoried during this reporting period; the oil painting "Government Locks Looking North," by Jacob Elshin. This piece of American history is not subject to public sale, but the comparative value is estimated to be \$3,000. After the OIG identified the piece, FAP entered into a loan agreement with the Highline Public Schools in Burien, Washington, where the artwork will be on public display.

Since cooperative efforts between the OIG and FAP began in 2001, a total of 764 WPA pieces have been recovered, with a comparative value of \$8,562,350.*

* This number includes all pieces of artwork recovered through the joint publicity/recovery efforts of the OIG and FAP. Not all recoveries require direct intervention by the OIG; some are "turn-ins" as a result of publicity or internet searches that reveal the government's ownership.

OTHER SIGNIFICANT WORK

SUSPENSION AND DEBARMENT INITIATIVE

GSA has a responsibility to ascertain whether the people or companies it does business with are eligible to participate in federally assisted programs and procurements, and that they are not considered “excluded parties.” Excluded parties are declared ineligible to receive contracts by a federal agency. The FAR authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, so GSA can ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 58 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 104 actions based on current and previous OIG referrals.

INTEGRITY AWARENESS

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse. This period, we presented 41 briefings attended by 349 GSA employees, other government employees, and government contractors. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of investigative information.

HOTLINE

The OIG hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the hotline. Our hotline also allows internet submission of complaints. During the reporting period, we received 653 hotline contacts. Of these, 83 were referred to GSA program officials for review and appropriate action, 13 were referred to other federal agencies, 11 were referred to the OIG Office of Audits, and 48 were referred to investigative field offices for investigation or further review.

STATISTICAL SUMMARY OF OIG INVESTIGATIONS

October 1, 2018 – March 31, 2019

OFFICE OF INVESTIGATIONS	
Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment	206
Indictments and informations on criminal referrals*	26
Subjects accepted for criminal prosecution	45
Subjects accepted for civil action	13
Convictions	19
Civil settlements/judgments	6
Contractors/individuals suspended and debarred	104
Employee actions taken on administrative referrals involving government employees	20
Investigative Reports**	1
Number of subpoenas	44
Civil settlements and court-ordered and investigative recoveries	\$54,431,757

* The total number of criminal indictments and criminal informations include all criminal charging documents resulting from any prior referrals to prosecutive authorities.

** The total number of investigative reports include reports of investigations and letterhead reports, which summarize the results of an official investigation and were referred to GSA officials for a response in consideration of taking administrative action or for information only.

Investigative Workload

The OIG opened 52 investigative cases and closed 53 cases during this period.

Referrals

The OIG makes criminal and civil referrals to the Department of Justice (DOJ) or other authorities for prosecutive and litigative consideration. The OIG also makes administrative referrals to GSA officials on certain cases disclosing wrongdoing on the part of GSA employees, contractors, or private individuals doing business with the government.

Actions on OIG Referrals

Based on these and prior referrals, 45 subjects were accepted for criminal prosecution and 13 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 26 indictments or informations and 19 convictions. OIG civil referrals resulted in 6 subject settlements/judgments. Based on OIG administrative referrals, GSA management debarred 49 contractors or individuals, suspended 55 contractors or individuals, and took 20 personnel actions against government employees.

Table 4. Summary of OIG Referrals

TYPE OF REFERRAL	CASES	SUBJECTS
Civil	12	19
Criminal (DOJ)*	34	63
Criminal (State/Local)**	10	15
Administrative Referrals for Action/Response		51
Suspension	9	27
Debarment	16	31
TOTAL	81	206

* The total number of persons referred to DOJ for criminal prosecution includes both individuals and companies which have been referred to DOJ for criminal prosecutorial consideration.

** The total number of persons referred to state and local authorities includes both individuals and companies which have been referred to authorities, other than DOJ, for criminal prosecution. Referrals to military authority for prosecution under the Uniform Code of Military Justice are also included in this metric.

Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, recoveries, forfeitures, judgments, and restitutions payable to the U.S. government as a result of criminal and civil actions arising from OIG referrals. Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities. Criminal, civil, and other monetary recoveries arising from our work totaled more than \$54 million.

Table 5. Criminal and Civil Results

	CRIMINAL	CIVIL
Fines and Penalties	\$9,311	
Settlements		\$21,695,000
Recoveries/Forfeitures	\$23,756,794	\$1,900
Restitutions	\$183,276	
TOTAL	\$23,949,381	\$21,696,900

Table 6. Non-Judicial Recoveries*

Administrative Recoveries	\$8,785,476*
Forfeitures/Restitution	0
TOTAL	\$8,785,476*

* This total includes the FAR disclosures reported on page 18.



Photo: Pennsylvania Avenue façade of the Federal Bureau of Investigation headquarters building, Washington, D.C.

GOVERNMENT-WIDE POLICY ACTIVITIES

GOVERNMENT-WIDE POLICY ACTIVITIES

We regularly provide advice and assistance on government-wide policy matters to GSA, as well as to other federal agencies and committees of Congress. In addition, as required by the Inspector General Act of 1978, as amended, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of GSA's programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of GSA in shaping government-wide policies and programs, most of the legislation and regulations reviewed affect government-wide issues such as procurement, property management, travel, and government management and IT systems.

Interagency and Intra-agency Committees and Working Groups

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is the chair of the Budget Committee and is a member of the Executive Council and Investigations and Legislation Committees. Through CIGIE, we also participate in the following:
 - **Federal Audit Executive Council Information Technology Committee.** The Office of Audits participates in the Federal Audit Executive Council IT Committee. This committee provides a forum to share information and coordinate audits of significant IT issues with the OIG community and the federal government. The committee also develops and recommends best practices to be used by OIGs in addressing IT issues.
 - **Federal Audit Executive Council Digital Accountability and Transparency Act Working Group.** The Office of Audits participates in the Federal Audit Executive Council Digital Accountability and Transparency Act (DATA Act) working group. The working group's mission is to assist the IG community in understanding and meeting its DATA Act oversight requirements by: (1) serving as a working level liaison with the Department of the Treasury, (2) consulting with the Government Accountability Office, (3) developing a common review approach and methodology, and (4) coordinating key communications with other stakeholders. The Office of Audits participates to stay abreast of the latest DATA Act developments in order to monitor GSA's implementation of the DATA Act.
 - **Federal Audit Executive Council Contracting Committee.** The Office of Audits participates in the Federal Audit Executive Council Contracting Committee on a monthly basis. The committee is involved with addressing contract, program, and acquisition management issues that have common interest throughout the OIG community. The committee shares information on audit topics, successful audits, and related techniques.

- **Enterprise Risk Management Working Group.** The Office of Audits also participates in CIGIE’s Enterprise Risk Management (ERM) working group. The working group’s charge is to contribute to the promotion and implementation of ERM principles in accordance with Office of Management and Budget Circular A-123 within OIGs and their respective agencies. The Office of Audits participates in the working group as a part of a collaborative effort with other OIGs to oversee the sharing of processes and best practices used to analyze, prioritize, and address risks identified and relevant to implementing ERM in the federal government.
- **Disaster Assistance Working Group.** The Office of Audits participates in the Disaster Assistance Working Group to identify any overlapping issues and coordinate any related work. In response to the damage caused by Hurricanes Harvey, Irma, and Maria, CIGIE reactivated the Disaster Assistance Working Group to coordinate the OIG community’s oversight of the federal response and recovery efforts as well as the resources appropriated by Congress for disaster recovery programs.
- **Data Analytics Working Group.** The Office of Investigations participates in the CIGIE Data Analytics Working Group. The working group’s projects include developing training forums in data analytics, updating a repository of databases and other sources of information used by the OIG community, and identifying cross-cutting initiatives utilizing data analytics to detect fraud.



Photo: East lobby decorative door, EPA East and West, located on 12th and Constitution Avenue, N.W., Washington, D.C.

APPENDIXES

APPENDIX I

ACRONYMS AND ABBREVIATIONS

CICA	Competition in Contracting Act of 1984
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CSP	Commercial Sales Practices
D.C.	District of Columbia
DATA Act	Digital Accountability and Transparency Act of 2014
DCIS	Defense Criminal Investigative Service
DOJ	Department of Justice
EPA	Environmental Protection Agency
ERM	Enterprise Risk Management
ESPC	Energy Savings Performance Contract
FAP	Fine Arts Program
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FBI	Federal Bureau of Investigation
FedRAMP	GSA's Federal Risk and Authorization Management Program
FFO	Funds from Operation
FISMA	Federal Information Security Modernization Act of 2014
GLS	GSA Leasing Support Services
GSA	General Services Administration
GSA IT	Office of General Services Administration's Information Technology
IFF	Industrial Funding Fee
IG	Inspector General
IOA	Industrial Operations Analyst
IPA	Independent Public Accountant
IT	Information Technology
NCR	National Capital Region
O&M	operations and maintenance
OGC	GSA Office of General Counsel
OIG	Office of Inspector General
OLC	Office of Legal Counsel
OPM	Office of Personnel Management
OPO	Old Post Office
OSHA	Department of Labor's Occupational Safety and Health Administration
PBS	Public Buildings Service
PII	Personally Identifiable Information
PMO	Program Management Office
TDR	Transactional Data Reporting
TIGTA	U.S. Treasury Inspector General for Tax Administration
U.S.C.	United States Code
VA	U.S. Department of Veterans Affairs
WPA	Works Progress Administration

APPENDIX II

SIGNIFICANT RECOMMENDATIONS FROM PRIOR REPORTS

The GSA Office of Administrative Services is responsible for tracking the implementation of audit and inspection recommendations after a management decision has been reached, and thus furnished the following status.

Prior Semiannual Reports to the Congress included three reports with recommendations that have not yet been fully implemented. These recommendations are currently being implemented in accordance with established milestones.

AUDIT OF TRANSACTIONAL DATA REPORTING PILOT EVALUATION PLAN AND METRICS

Period First Reported: April 1, 2018, to September 30, 2018

Our objective was to determine if GSA's Transactional Data Reporting (TDR) Pilot Evaluation Plan and Metrics will enable GSA to objectively measure and evaluate whether the TDR pilot is improving the value of the Multiple Award Schedule Program for GSA's customer agencies and the American taxpayer. We made three recommendations, which have not been implemented.

These recommendations involve revising the TDR pilot objectives to include specific statements of accomplishment to measure performance; establishing performance targets for each pilot metric; and ensuring that TDR data is available, accurate, and reliable for use in and evaluation of the pilot. The recommendations are scheduled for completion by April 26, 2019.

REPORTS THAT HAVE BEEN REOPENED AS A RESULT OF OUR IMPLEMENTATION REVIEWS.

AUDIT OF FAS'S CONTRACTOR ASSESSMENTS PROGRAM

Period First Reported: April 1, 2016, to September 30, 2016

Our objectives were to determine if FAS's Supplier Management Division's: (1) Contractor Assessments are effective to determine contractors' compliance with Multiple Award Schedule contract terms and conditions, (2) IOAs are conducting their assessments in accordance with FAS guidance, (3) IOAs are communicating those results timely and in the appropriate format, and (4) IOAs are completing training in accordance with program requirements. We made three recommendations, which were closed.

We completed an implementation review to determine whether FAS fully completed the corrective action steps to resolve the original audit report recommendations. We found that while FAS fully implemented the corrective actions, the actions taken have not resulted in consistent documentation in the IOA assessment reports or fully addressed parity in IOA knowledge and skills. As a result, FAS reopened the recommendations and submitted a revised Corrective Action Plan to remedy these deficiencies.

The revised Corrective Action Plan involves: updating the Industrial Operations Analyst Training Manual to include details on a risk-based sampling methodology in order to improve the consistency of report results; revising the assessment report template to include a specific section for reviewing labor qualifications to ensure consistent review and determining whether changes to the template require any appropriate revisions to the guidance as a result; and establishing and implementing a formal, national training curriculum for experienced IOAs to cover, at a minimum, the number of required annual continuing education hours and appropriate subject areas for enhancing applicable knowledge and skills. The revised Corrective Action Plan is scheduled for completion by September 30, 2019.

AUDIT OF GSA'S RESPONSE TO THE PERSONALLY IDENTIFIABLE INFORMATION BREACH OF SEPTEMBER 18, 2015

Period First Reported: April 1, 2016, to September 30, 2016

Our objective was to determine whether GSA identified and notified individuals affected by the September 18, 2015, PII breach pursuant to federal requirements and applicable guidance and policy. We made four recommendations, which were closed.

We completed an implementation review to determine whether the GSA IT fully completed the corrective action steps to resolve the original audit report recommendations. We found that GSA IT did not fully implement corrective actions for two report recommendations. As a result, GSA IT reopened the recommendations and submitted a revised Corrective Action Plan to remedy these deficiencies.

The revised Corrective Action Plan involves: reviewing and certifying GSA's September 18, 2015, breach notification efforts and determining if any additional action is needed to ensure all affected individuals have been notified; assessing policies to ensure objectives are clear, roles and responsibilities are detailed, and comprehensive procedures are established for Agency Response Teams to communicate and document relevant information necessary for making decisions and taking action in response to a PII breach; and taking appropriate actions to address and correct those areas identified as deficient. The revised Corrective Action Plan is scheduled for completion by April 30, 2019.

APPENDIX III

AUDIT AND INSPECTION REPORT REGISTER

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED COSTS
(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)				
PBS INTERNAL AUDITS				
12/12/18	A160134	Audit of the Public Buildings Service's Use of Contract Employees in the New England and Northeast and Caribbean Regions		
03/15/19	A170027	Audit of Environmental Issues at the Goodfellow Federal Complex in St. Louis, Missouri		
03/20/19	A170047	Audit of the PBS National Capital Region's Lease Financial Performance		
03/21/19	A170092	Audit of IT Security Requirements in GSA Leasing Support Services Contracts		
PBS CONTRACT AUDITS				
10/11/18	A180067	Examination of a Request for Equitable Adjustment: Structural Engineering Group, Inc., Contract Number GS-11P-15-YT-C-0019		
12/06/18	A170084	Examination of Accounting System: Turner Construction Company Subcontractor to Massachusetts Institute Technology Exchange Agreement: John A. Volpe National Transportation Systems Center		
02/21/19	A180052	Examination of a Termination Settlement Proposal: Honeywell International Inc., Contract Number GS-P-08-16-JE-7081		
FAS INTERNAL AUDITS				
10/24/18	A170097	FAS Cannot Evaluate the FAS Lane Program's Performance for Contract Modifications		
12/21/18	A180071	Implementation Review of Corrective Action Plan, Audit of FAS's Contractor Assessments Program, Report Number A150131/Q/T/P/16004, September 21, 2016		
03/21/19	A170023	Audit of the Federal Risk and Authorization Management Program, Program Management Office's Goals and Objectives		
FAS CONTRACT AUDITS				
10/03/18	A180061	Preaward Examination of Multiple Award Schedule Contract Extension: ESCgov, Inc., Contract Number GS-35F-0363P		
10/25/18	A170076	Preaward Examination of Multiple Award Schedule Contract: Gartner, Inc., Contract Number 47QTCA18D008L		\$4,657
11/19/18	A180060	Preaward Examination of Multiple Award Schedule Contract Extension: Manufacturing Technical Solutions, Inc., Contract Number GS-00F-0010P		
11/20/18	A170085	Preaward Examination of Multiple Award Schedule Contract Extension: Deloitte Consulting LLP, Contract Number GS-35F-0617Y		
12/07/18	A170089	Preaward Examination of Multiple Award Schedule Contract Extension: Addx Corporation, Contract Number GS-10F-0349N		\$77,384
12/18/18	A180049	Preaward Examination of Multiple Award Schedule Contract Extension: Guidehouse LLP, Contract Number GS-35F-0263P		\$242,235
12/20/18	A180057	Preaward Examination of Multiple Award Schedule Contract Extension: National Business Furniture, LLC, Contract Number GS-27F-0024V		
01/07/19	A180045	Preaward Examination of Multiple Award Schedule Contract Extension: Technica Corporation, Contract Number GS-35F-0171V		

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED COSTS
01/15/19	A180100	Examination of Multiple Award Schedule Contract Extension: Iron Vine Security LLC, Contract Number GS-35F-0590V		
01/28/19	A180086	Preaward Examination of Multiple Award Schedule Contract Extension: Four Points Technology, LLC, Contract Number GS-35F-0553P		\$84,187
02/05/19	A180037	Preaward Examination of Multiple Award Schedule Contract Extension: Keysight Technologies, Inc., Contract Number GS-07F-280AA		\$54,258
02/07/19	A180044	Preaward Examination of Multiple Award Schedule Contract Extension: Phillips Corporation, Contract Number GS-21F-052BA		\$4,649
02/08/19	A180082	Preaward Examination of Multiple Award Schedule Contract Extension: The CBE Group, Inc., Contract Number GS-23F-0230P		
02/13/19	A170111	Limited Scope Postaward Examination of Multiple Award Schedule Contract: Harris Corporation, RF Communications Division Contract Number GS-35F-0163N		\$13,138
02/20/19	A180051	Preaward Examination of Multiple Award Schedule Contract Extension: Criterion Systems, Inc., GS-35F-0032V		
03/07/19	A180077	Preaward Examination of Multiple Award Schedule Contract Extension: Sapient Government Services, Inc., Contract Number GS-35F-0442V		\$3,197
03/14/19	A150093	Limited Scope Postaward Examination of Multiple Award Schedule Contract: Innovative Management and Technology Approaches, Inc., Contract Number GS-35F-0096L		\$840,019
03/20/19	A180048	Preaward Examination of Multiple Award Schedule Contract Extension: Corporate Lodging Consultants, Inc., Contract Number GS-33F-0009P		\$915,649
03/29/19	A170033	Preaward Examination of Multiple Award Schedule Contract Extension: Amyx, Inc., Contract Number GS-10F-0019N		\$15,519
03/29/19	A170049	Preaward Examination of Multiple Award Schedule Contract: DLH Solutions, Inc., Contract Number GS-10F-0092N		\$24,791
OTHER INTERNAL AUDITS				
10/19/18	A180001	Implementation Review of Corrective Action Plan, Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015, Report Number A160028/O/T/F16003, September 28, 2016		
12/19/18	A170120	Limited Scope Audit of the Technical Security Controls for an Information System		
INSPECTION REPORTS				
01/16/19	JE19-002	Evaluation of GSA's Management and Administration of the Old Post Office Building Lease		

APPENDIX IV OIG REPORTS OVER 12 MONTHS OLD, FINAL AGENCY ACTION PENDING

Section 6009 of the Federal Acquisition Streamlining Act of 1994, Public Law 103-355, as amended by Section 810 of Public Law 104-106, requires the head of a federal agency to complete final action on each management decision required with regard to a recommendation in an Inspector General’s report within 12 months after the date of the report. If the head of the Agency fails to complete final action within the 12-month period, the Inspector General shall identify the matter in the semiannual report until final action is complete.

The Office of Administrative Services provided the following list of reports with action items open beyond 12 months:

DATE OF REPORT	REPORT NUMBER	TITLE
CONTRACT AUDITS		
04/14/2014	A130136	Preaward Examination of Multiple Award Schedule Contract: Fisher Scientific Company L.L.C., Solicitation Number 7FCB-C4-070066-B
04/24/2014	A110139	Postaward Examination of Multiple Award Schedule Contract: Alaska Structures, Incorporated, Contract Number GS-07F-0084K
11/10/2014	A140110	Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
01/30/2015	A140116	Examination of a Claim: City Lights Electrical Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
03/27/2015	A140149	Examination of a Request for Equitable Adjustment: Donaldson Interiors, Inc., Subcontractor to Cauldwell Wingate Company, LLC., Contract Number GS-02P-05-DTC-0021
03/31/2015	A140039	Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations, LLC, Contract Number GS-35F-0333P
06/10/2015	A140074	Preaward Examination of Multiple Award Schedule Contract Extension: TASC, Inc., Contract Number GS-23F-0008K
11/10/2015	A150083	Preaward Examination of Multiple Award Schedule Contract Extension: LCG Systems LLC, Contract Number GS-35F-0047L
11/13/2015	A140118	Examination of a Claim: N.B. Kenney Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
11/20/2015	A150113	Examination of a Claim: Matsuo Engineering Centerre Construction, a Joint Venture, Contract Number GS-08P-10-JB-C-0007
12/21/2015	A140146	Examination of a Claim: Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021

DATE OF REPORT	REPORT NUMBER	TITLE
12/28/2015	A140145	Examination of a Claim: Pace Plumbing Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021
01/29/2016	A140148	Examination of a Claim: Five Star Electric Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021
03/30/2016	A140147	Examination of a Request for Equitable Adjustment: ASM Mechanical Systems, Inc., Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N)
07/21/2016	A150087	Preaward Examination of Multiple Award Schedule Contract Extension: LC Industries, Contract Number GS-02F-0026S
07/27/2016	A150080	Preaward Examination of Multiple Award Schedule Contract Extension: Connecticut Container Corporation, Contract Number GS-15F-0003L
08/08/2016	A160039	Preaward Examination of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0119Y
09/08/2016	A160027	Preaward Examination of Multiple Award Schedule Contract Extension: Agilent Technologies, Inc., Contract Number GS-07F-0564X
09/19/2016	A160093	Postaward Examination of Multiple Award Schedule Contract: United Liquid Gas Company, Contract Number GS-07F-0523M
10/13/2016	A150083	Limited Scope Postaward Examination of Multiple Award Schedule Contract: LCG Systems, LLC, Contract Number GS-35F-0047L
10/17/2016	A150094	Preaward Examination of Multiple Award Schedule Contract Extension: KeyPoint Government Solutions, Inc., Contract Number GS-02F-0054S
10/27/2016	A140133	Postaward Examination of Multiple Award Schedule Contract: ARES Corporation, Contract Number GS-23F-0113L
12/29/2016	A120149	Postaward Examination of Multiple Award Schedule Contract: Lockheed Martin Integrated Systems, Incorporated, Contract Number GS-10F-0150N
01/24/2017	A160095	Preaward Examination of Multiple Award Schedule Contract Extension: Ogilvy Public Relations Worldwide, Contract Number GS-23F-0060M
01/25/2017	A150102	Preaward Examination of Multiple Award Schedule Contract Extension: Riverside Research Institute, Contract Number GS-23F-0134L
01/26/2017	A160074	Examination of Requests for Equitable Adjustment: ARRIBA Corporation, Contract Number GS-11P-12-YT-C-0201
02/22/2017	A160104	Examination of a Claim: M. A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
03/03/2017	A160111	Preaward Examination of Multiple Award Schedule Contract Extension: Ambit Group, LLC, Contract Number GS-35F-0242T
03/30/2017	A150001	Preaward Examination of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K
04/05/2017	A160069	Preaward Examination of Multiple Award Schedule Contract Extension: Security Engineered Machinery Company, Inc., Contract Number GS-02F-0111P
05/17/2017	A160088	Preaward Examination of Multiple Award Schedule Contract Extension: CSRA, Inc., Contract Number GS-15F-0018M

DATE OF REPORT	REPORT NUMBER	TITLE
06/20/2017	A160117	Preaward Examination of Multiple Award Schedule Contract Extension: StrategicHealthSolutions, LLC, Contract Number GS-10F-0231T
09/07/2017	A170067	Preaward Examination of Multiple Award Schedule Contract Extension: Catapult Technology, Ltd., Contract Number GS-35F-0401N
09/13/2017	A160106	Examination of a Claim: RK Mechanical ,Inc., Subcontractor to M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
09/28/2017	A160056	Preaward Examination of Multiple Award Schedule Contract Extension: Omniplex World Services Corporation, Contract Number GS-15F-0051L
09/28/2017	A170078	Limited Scope Postaward Examination of Multiple Award Schedule Contract: ADTRAV Corporation, Contract Number GS-33F-0003P
09/28/2017	A170065	Preaward Examination of Multiple Award Schedule Contract Extension: National Government Services, Inc., Contract Number GS-35F-0674T
09/28/2017	A160129	Preaward Examination of Multiple Award Schedule Contract Extension: Galls, LLC, Contract Number GS-07F-0157M
11/16/2017	A160136	Preaward Examination of Multiple Award Schedule Contract Extension: Insight Public Sector, Inc., Contract Number GS-35F-0009U
12/14/2017	A170058	Preaward Examination of Multiple Award Schedule Contract Extension: August Schell Enterprises, Inc., Contract Number GS-35F-0794M
12/21/2017	A170108	Examination of a Claim: RK Mechanical, Incorporated, Subcontractor to Matsuo Engineering Centerre Construction, a Joint Venture, Contract Number GS-08P-10-JB-C-0007
02/22/2018	A160105	Examination of a Claim: NCES-Nuprecon JV, Subcontractor to M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
03/08/2018	A160052	Examination of a Claim: Concentric Security, LLC, Contract Number GS-07F-0100M
03/21/2018	A170059	Preaward Examination of Multiple Award Schedule Contract Extension: Technical Communities, Inc., dba Testmart, Contract Number GS-24F-0066M
03/23/2018	A170099	Preaward Examination of Multiple Award Schedule Contract Extension: DHA Group, Inc., Contract Number GS-00F-0003W
03/29/2018	A170087	Preaward Examination of Multiple Award Schedule Contract Extension: International Business Machines Corporation, Contract Number GS-02F-0036U

DATE OF REPORT	REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
INTERNAL AUDITS			
09/21/2016	A150131	Audit of FAS's Contractor Assessments Program	09/30/2019*
09/28/2016	A160028	Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015	04/30/2019*
01/20/2017	A130003	Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center	04/30/2019
08/24/2017	A150009	PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy	07/31/2019

*This audit was reopened as a result of an implementation review.

APPENDIX V

OIG REPORTS WITHOUT MANAGEMENT DECISION

Section 5(a)(10)(A) of the Inspector General Act of 1978, as amended, requires a summary of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. There are six OIG reports that meet this requirement this reporting period.

PREAWARD EXAMINATION OF A TECHNOLOGY CONTRACTOR

We performed this examination to determine whether the contractor disclosed and submitted accurate, current, and complete information in the Commercial Sales Practices (CSP); maintains sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; and adequately accumulates and reports schedule sales for IFF payment purposes.

We concluded that the contractor's CSP is not accurate, current, or complete; the price reduction provisions of the contract are ineffective because the contractor lacks sales to the basis of award customer; and the contractor does not have adequate controls to properly accumulate and report schedule sales for IFF purposes.

We are continuing to work with GSA officials to resolve the examination.

PREAWARD EXAMINATION OF A HEALTH CARE CONTRACTOR

We performed this examination to determine whether the contractor disclosed and submitted accurate, current, and complete information in the CSP; maintains sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; adequately accumulates and reports schedule sales for IFF payment purposes; assigns employees to work on GSA schedule task orders who are qualified for their billable positions; and adequately segregates and accumulates labor hours, material costs, and other direct costs on time-and-material task orders.

We concluded that the contracting officer cannot rely on the contractor's CSP information because the contractor does not have commercial sales or comparable non-GSA sales; the discounts granted on GSA task orders demonstrate that the contractor's current and proposed GSA rates are overstated; and the contract's Price Reductions Clause is ineffective because there are no comparable non-GSA sales and the contractor primarily sells to one customer, a federal agency.

We are continuing to work with GSA officials to resolve the examination.

**PREAWARD EXAMINATION OF INFORMATION
TECHNOLOGY SERVICES CONTRACTOR**

We performed this examination to determine whether the contractor disclosed and submitted accurate, current, and complete information in the CSP; maintains sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; adequately accumulates and reports schedule sales for IFF payment purposes; assigns employees to work on GSA schedule task orders who are qualified for their billable positions; and adequately segregates and accumulates labor hours, material costs, and other direct costs on time-and-material task orders.

We concluded that the contractor's CSP is current but not accurate or complete, and most proposed labor rates are unsupported or overstated. In addition, the contractor's current price reduction provisions are ineffective, the contractor did not accurately report GSA schedule sales, and the contractor lacks procedures to ensure qualified employees work on GSA schedule task orders.

We are working with GSA officials to resolve the examination.

**REPORTS THAT WERE 6 MONTHS OLD AS OF MARCH
31, 2019, BUT HAVE SINCE BEEN RESOLVED:****INTERNAL AUDIT OF UNUSED LEASED SPACE**

Resolved on April 5, 2019.

INTERNAL AUDIT OF AN ENERGY SAVINGS PERFORMANCE CONTRACT

Resolved on April 11, 2019

**PREAWARD EXAMINATION OF A LOGISTICAL
ENGINEERING SERVICES CONTRACTOR**

Resolved on April 11, 2019

APPENDIX VI MANAGEMENT DECISIONS REVISED OR WITH WHICH THE INSPECTOR GENERAL IS IN DISAGREEMENT

Section 5(a)(11) of the Inspector General Act of 1978, as amended, requires a description and explanation of the reasons for any significant revised management decision made during the reporting period. Section 5(a)(12) of the Act requires information concerning any significant management decision with which the Inspector General is in disagreement.

INTERNAL AUDIT OF AN ENERGY SAVINGS PERFORMANCE CONTRACT

As reported in our September 2017 Semiannual Report to the Congress, on August 24, 2017, we issued the report, *PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy*, Report Number A150009/P/5/R17006. Our audit found that PBS's NCR did not comply with applicable laws, regulations, and guidance when awarding and administering the Energy Savings Performance Contract (ESPC) task order. Specifically, PBS NCR violated the Competition in Contracting Act of 1984 (CICA) and the competition requirements set forth in the FAR by making a cardinal change to the contract that substantially increased the contract's scope of work for operations and maintenance (O&M) services for the entire White Oak campus. This action eliminated price competition and denied opportunities for other contractors. In addition, PBS NCR did not award and administer the task order in compliance with contract requirements, acquisition regulations, and internal policy.

To address these findings, we made six recommendations to the PBS NCR Regional Commissioner. On October 24, 2017, the former PBS NCR Regional Commissioner submitted a response to the report along with proposed corrective actions. In her response, the former PBS NCR Regional Commissioner disagreed with the following three recommendations:

- Take immediate action to expedite the procurement of a new O&M contract that adheres to competition requirements specified in the CICA and the FAR.
- Determine and implement the appropriate corrective action needed for PBS NCR personnel's non-compliance with competition requirements.
- Once the procurement of a new O&M contract is secured, as stated in Finding 1, include the Limitation of Government Obligation clause on all non-ESPC O&M services.

The former PBS NCR Regional Commissioner disagreed that the contract for O&M services for the entire White Oak campus constituted a cardinal change. Therefore, the former Regional Commissioner disagreed that corrective action is necessary to expedite the procurement of a new O&M contract. As a result, the former PBS NCR Regional Commissioner also asserted that it is unnecessary to take the appropriate corrective action to address PBS NCR personnel's non-compliance with competition requirements and include the Limitation of Government Obligation clause in the contract.

On March 13, 2018, we formally notified the former PBS NCR Regional Commissioner of our disagreement with the Region's response and proposed corrective actions. We subsequently met with her on March 30, 2018, to discuss our areas of disagreement, but were unable to achieve audit resolution. A September 24, 2018, discussion of the matter with the current PBS NCR Regional Commissioner was also unsuccessful.

Accordingly, on January 22, 2019, we provided a Decision Paper for Resolution Action to the GSA Deputy Administrator, requesting a resolution of the disagreement. On February 19, 2019, the GSA Deputy Administrator responded that PBS's responses were appropriate.

We disagree with this management decision and remain concerned that PBS NCR did not acknowledge or take responsibility for its failure to comply with federal laws and regulations. As a result of this decision, GSA is creating an ineffective internal control environment that tolerates non-compliance with federal laws and regulations when operationally convenient, and making it more likely that this activity will continue going forward.

We stand by our determination that PBS's sole source procurement of expanded O&M services for the entire White Oak campus violated CICA and the FAR. Through these modifications, PBS NCR materially altered the scope of work for the original ESPC task order and significantly increased the value of the task order by over \$300 million. While we recognize that addressing the contracting issues we identified may be expensive and complicated, PBS could have avoided this by following applicable procurement laws and regulations in the first place.

We also continue to maintain that the contracting officer's misunderstanding of fundamental contracting principles and misapplication of competitive requirements damages the integrity of the procurement process, precludes competition, and increases the likelihood that taxpayer dollars will be awarded improperly and wasted. Furthermore, our position that PBS NCR must apply the Limitation of Government Obligation clause to the contract remains unchanged. Under GSA policy, this clause is mandatory for recurring, severable contract services—exactly the type of services included in the O&M contract for the White Oak campus. Absent this clause, PBS should have obligated the entire 20-year contract, totaling more than \$261 million, instead of incrementally obligating amounts for the services on an annual basis.

In light of the above, the OIG finds GSA's rationale for failing to address these recommendations to be insufficient.

APPENDIX VII

PEER REVIEW RESULTS

Section 5(a) (14)-(16) of the Inspector General Act of 1978, as amended, requires each Inspector General to submit an appendix containing the results of any peer review conducted by another OIG during the reporting period or, if no peer review was conducted, a statement identifying the date of the last peer review conducted; a list of any outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented, the status of the recommendation, and an explanation why the recommendation is not complete; and a list of any peer reviews conducted by the OIG of another OIG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that have not been fully implemented.

The Office of Investigations received a compliance rating from its last peer review, which was conducted by National Aeronautics and Space Administration OIG in 2016. On June 11, 2018, the Office of Investigations concluded a peer review of the EPA OIG. The peer review team found EPA OIG's system of internal safeguards and management procedures complied with the standards established for investigations by the Attorney General Guidelines and CIGIE.

In Fiscal Year 2018, the GSA OIG Office of Audits underwent a peer review by the U.S. Department of Agriculture OIG. On September 26, 2018, the Office of Audits received a peer review rating of "pass." The peer review team found that the Office of Audits' system of quality control is suitably designed and complied with to provide it with reasonable assurance of performing and reporting in conformity with the quality standards established by CIGIE in all material aspects. No outstanding recommendations exist from any peer review conducted by another OIG.

In addition, the GSA OIG Office of Audits completed an external peer review of the U.S. Treasury Inspector General for Tax Administration (TIGTA). TIGTA has no outstanding recommendations issued by any previous peer review that have not been fully implemented.

The Office of Inspections was formed in 2014 to conduct inspections and evaluations in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*, and has not yet been peer reviewed.

APPENDIX VIII

GOVERNMENT CONTRACTOR SIGNIFICANT AUDIT FINDINGS

The National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, section 845, requires each IG appointed under the Inspector General Act of 1978, as amended, to submit an annex on final, completed contract audit reports issued to the contracting activity as part of its Semiannual Report to the Congress. The annex addresses significant audit findings — unsupported, questioned, or disallowed costs in excess of \$10 million — or other significant contracting issues. During this reporting period, there were no reports that met these requirements.

APPENDIX IX UNIMPLEMENTED RECOMMENDATIONS

UNIMPLEMENTED RECOMMENDATIONS FROM AUDIT REPORTS ISSUED BEFORE THE COMMENCEMENT OF THIS SEMIANNUAL REPORTING PERIOD

The GSA OIG currently has 14 unimplemented recommendations that were issued prior to the commencement of this semiannual reporting period. These unimplemented recommendations do not include any financial recommendations.

The table below identifies the audits that contain unimplemented recommendations, as well as the potential cost savings of those recommendations and the fiscal year in which each audit was issued.

FISCAL YEAR	TITLE	NUMBER OF UNIMPLEMENTED RECOMMENDATIONS	POTENTIAL COST SAVINGS
2016	Audit of FAS's Contractor Assessments Program	3	\$0
2016	Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015	2	\$0
2017	Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center	1	\$0
2017	PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy	3	\$0
2018	Audit of Transactional Data Reporting Pilot Evaluation Plan and Metrics	3	\$0
2018	Audit of GSA's Public Buildings Service Does Not Track and Report All Unused Leased Space as Required	2	\$0
Totals:	6	14	\$0

APPENDIX X

REPORTING REQUIREMENTS

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information required by the National Defense Authorization Act for Fiscal Year 2008 and the Federal Acquisition Streamlining Act of 1994, as amended, are also cross-referenced to the appropriate pages of the report.

REQUIREMENTS INSPECTOR GENERAL ACT OF 1978, AS AMENDED		PAGE
SECTION		
4(a)(2)	Review of Legislation and Regulations	44
5(a)(1)	Significant Problems, Abuses, and Deficiencies	5
5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	8-25
5(a)(3)	Prior Recommendations Not Yet Implemented	49
5(a)(4)	Matters Referred to Prosecutive Authorities	39-40
5(a)(5) and 6(c)(2)	Summary of Instances Where Information Was Refused	none
5(a)(6)	List of OIG Reports	51-52
5(a)(7)	Summary of Each Particularly Significant Report	8-16, 24-25
5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	22
5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	21
5(a)(10) (A)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Management Decision Has Been Made	49-50
5(a)(10) (B)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Agency Comment was Returned within 60 Days	none
5(a)(10) (C)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which there are Unimplemented Recommendations	62
5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	58-59
5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	58-59
5(a)(13)	Compliance with Federal Financial Management Improvement Act	none
5(a)(14)-(16)	Peer Review Results	60
5(a)(17)	Statistical Tables of Investigation Metrics	39-41
5(a)(18)	Description of Investigation Metrics	39-40
5(a)(19)	Investigations of Senior Employees where Misconduct was Substantiated	none
5(a)(20)	Description of any Instance of Whistleblower Retaliation	none
5(a)(21)	Description of any Attempt by the Agency to Interfere with OIG Independence	none
5(a)(22)(A)	Description of each Inspection, Evaluation and Audit Not Publicly Disclosed	12, 51-52
5(a)(22)(B)	Description of each Investigation of a Senior Employee Not Disclosed to the Public	35
OTHERS		
PL 103-355, Sec 6009	Management Decisions and Implementation of Audit Recommendations	53
PL 110-181, Sec. 845	Government Contractor Significant Findings	61



Make like it's your money!

It is.

To report suspected waste, fraud, abuse, or
mismanagement in GSA, call your

Inspector General's Hotline

Toll-free 1-800-424-5210
Washington, DC metropolitan area
(202) 501-1780

or access the Web:
<https://www.gsaig.gov/hotline/>

or write: GSA, IG, Hotline Officer
Washington, DC 20405

Photo: Staircase alcove in former General Post Office, Tariff Building; now the Monaco Hotel, Washington, D.C.



[www.twitter.com/GSA_OIG](https://twitter.com/GSA_OIG)



<https://www.gsaig.gov/content/rss-feeds>



Office of Inspector General
U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405
<https://www.gsaig.gov>